

CHAPTER - I

1 Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2001 there were 61 Government companies (43 working companies and 18 non-working companies^{*)} and five working Statutory corporations as against 60 Government companies (43 working companies and 17 non-working companies) and five working Statutory corporations as on 31 March 2000 under the control of the State Government. During the year, audit of one new company viz. Shabari Adivasi Vitta Va Vikas Mahamandal Maryadit (incorporated on 15 January 1999) was entrusted. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Maharashtra State Electricity Board (MSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Maharashtra State Road Transport Corporation (MSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Maharashtra Industrial Development Corporation (MIDC)	Maharashtra Industrial Development Act, 1961 and Section 19 (3) of CAG's (DP&CS) ACT, 1971	Sole audit entrusted to CAG up to 2002.
4.	Maharashtra State Financial Corporation (MSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary Audit by CAG
5.	Maharashtra State Warehousing Corporation (MSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

* Non-working companies/corporations are those, which are under the process of liquidation/closure/merger etc.

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 48 working PSUs (43 Government companies and five Statutory corporations) was Rs.19668.80 crore (equity: Rs.4438.88 crore; long-term loans*: Rs.15077.70 crore; and share application money: Rs.152.22 crore) as against 48 working PSUs (43 Government companies and 5 Statutory corporations) with a total investment of Rs.19139.39 crore (equity: Rs.2349.70 crore; long term loans: Rs.16652.16 crore; and share application money: Rs.137.53 crore) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs.

1.2.1.1 Working Government companies

Total investment in 43 working Government companies as on 31 March 2001 was Rs.5146.11 crore (equity: Rs.621.80 crore; long term loans: Rs.4373.54 crore, share application money: Rs.150.77 crore) as against total investment of Rs.5211.03 crore (equity: Rs.601.29 crore; long term loans: Rs.4473.66 crore, share application money: Rs.136.08 crore) as on 31 March 2000 in 43 working Government companies.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

The main reason for decrease in total investment is due to repayment of long-term loans in Industries, Textile, Construction and Development of Weaker section sectors.

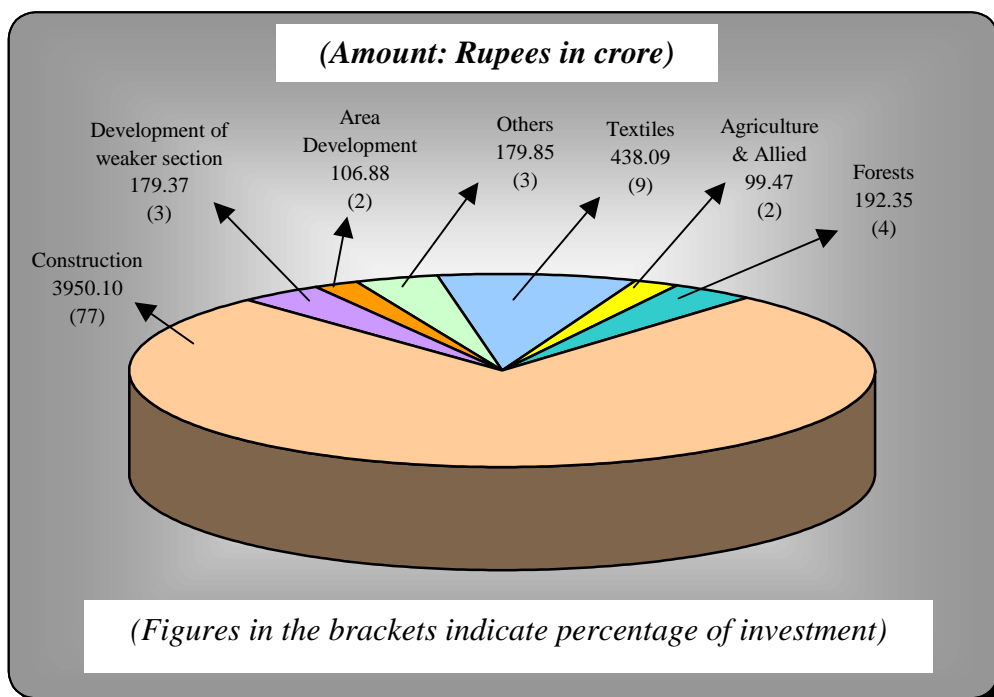
Sector wise investment in working Government companies

As on 31 March 2001, the total investment of working Government companies, comprised 15.01 *per cent* of equity capital and 84.94 *per cent* of loans as compared to 14.15 *per cent* and 85.85 *per cent*, respectively, as on 31 March 2000.

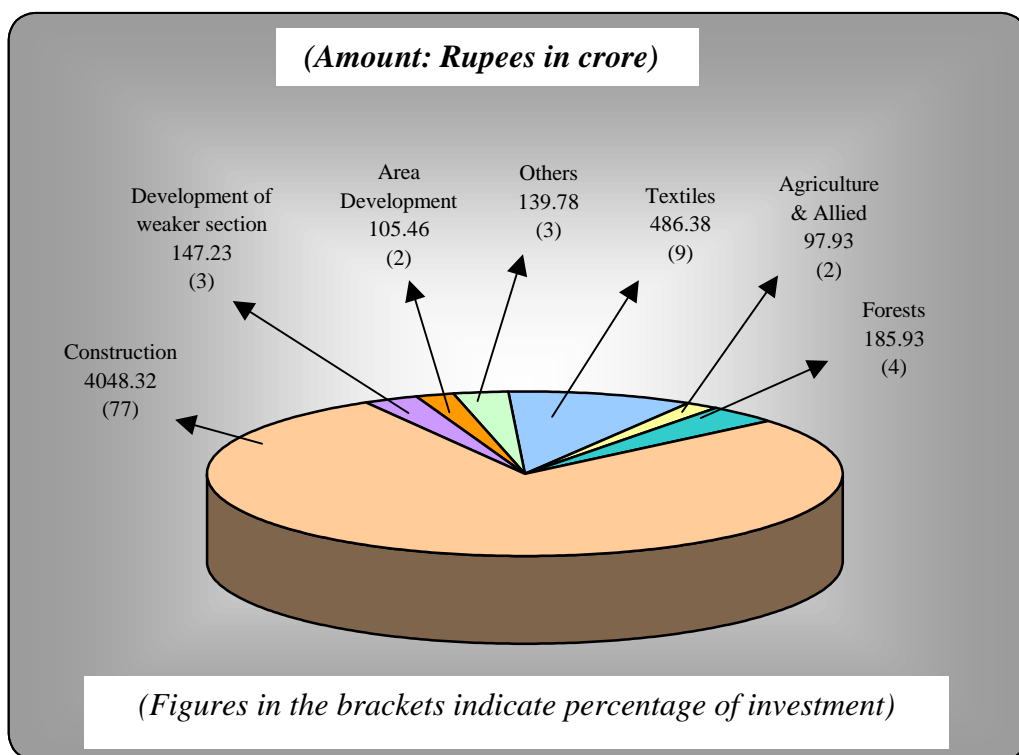
The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

* Long term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

Sector-wise investment in working Government companies as on 31 March 2001



Sector-wise investment in working Government companies as on 31 March 2000



1.2.1.2 Working Statutory corporations

The total investment in five working Statutory corporations at the end of March 2001 and March 2000 was as follows:

(Rupees in crore)

Name of corporation	1999-2000		2000-01	
	Capital	Loan	Capital	Loan
Maharashtra State Electricity Board	1478.62	11098.55	3464.62	9690.50
Maharashtra State Road Transport Corporation	200.16	158.66	282.36	127.76
Maharashtra Industrial Development Corporation	--- [#]	63.88	--- [#]	84.18
Maharashtra State Financial Corporation	62.85 [@]	857.41	62.85 [@]	801.71
Maharashtra State Warehousing Corporation	8.23	---	8.71	---
Total	1749.86	12178.50	3818.54	10704.15

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-1.

1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to

[#] There is no investment of State Government by way of share capital or loan in MIDC. However, the land is acquired by the State Government and handed over to MIDC for development activities.

[@] Includes share application money of Rs.1.45 crore.

2000-01 are given below:

(Amount Rupees in crore)

Particulars	1998-99				1999-2000				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	12	19.02	2	1.47	15	29.77	1	0.45	7	18.60	1	82.19
Loans given from budget	6	59.37	1	283.89	8	70.97	1	347.23	5	36.13	1	117.40
Grants/ Subsidy towards -												
(i) Projects/ programmes/ schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other grants/subsidy	4	6.62	1	355.10	9	23.55	1	0.17	4	27.07	-	-
(iii) Total grants/subsidy	4	6.62	1	355.10	9	23.55	1	0.17	4	27.07	-	-
Total outgo		85.01		640.46		124.29		347.85		81.80		199.59

During the year 2000-01 the Government had guaranteed the loans aggregating Rs.2984.23 crore obtained by seven working Government companies (Rs.656.02 crore) and one working Statutory corporation (Rs.2328.21 crore). At the end of the year guarantees amounting to Rs.20568.79 crore obtained by 10 working Government companies (Rs.3266.64 crore) and three working Statutory corporations (Rs.17302.15 crore) were outstanding as against the outstanding guarantee of Rs.7333.58 crore obtained by 12 working companies (Rs.207.45 crore) and three Statutory corporations (Rs.7126.13 crore) as on 31 March 2000. There was no case of default in repayment of guaranteed loans during the year. The Government had allowed moratorium on loan repayment to one company (Rs.0.23 crore) during 2000-01. The Government also converted loans amounting to Rs.1990.61 crore into equity capital in one company (Rs.4.61 crore) and one corporation (Rs.1986.00 crore) during the year. The guarantee fee/commission paid/payable to Government by eight Government companies and by three Statutory corporations during 2000-01 was Rs.147.61 crore.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure-2 out of 43 working Government companies, only nine working companies and out of five working Statutory corporations only four working corporations have finalised their accounts for the year 2000-01 within stipulated period. During the period from October 2000 to September 2001, 22 working Government companies finalised 23 accounts for previous years. Similarly, during this period two working Statutory corporations finalised two accounts for previous years.

The accounts of 34 working Government companies and one Statutory corporation were in arrears for periods ranging from one year to 14 years as on 30 September 2001 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of working companies/corporations		Reference to Sl. No. of Annexure 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	2000-01	1	15	1	A-1,3,6, 10,13,23,24, 25,26, 31,35,38, 39, 40, 43	B-3
2	1999-2000 to 2000-01	2	3	--	A-11, 21,36	--
3	1998-99 to 2000-01	3	4	--	A-5, 9, 16, 27	--
4	1997-98 to 2000-01	4	5	--	A-7, 18,29,37, 41	--
5	1996-97 to 2000-01	5	1	--	A-28	--
6	1995-96 to 2000-01	6	1	--	A-4	--
7	1994-95 to 2000-01	7	1	--	A-8	--
8	1992-93 to 2000-01	9	1	--	A-34	--
9	1991-92 to 2000-01	10	1	--	A-42	--
10	1989-90 to 2000-01	12	1	--	A-32	--
11	1987-88 to 2000-01	14	1	--	A-33	--
TOTAL			34	1		

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts,

no effective measures have been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Annexure-2. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure-4 and 5 respectively.

According to latest finalised accounts of 41 working Government companies and five working Statutory corporations, 25 companies and three corporations had incurred losses for the respective years aggregating to Rs.90.18 crore and Rs.2947.54 crore, respectively. Fifteen companies and two corporations earned an aggregate profit of Rs.46.27 crore and Rs.15.25 crore, respectively. Two companies (Sl.No.A-27 and A-36) had not submitted their first accounts and one company (Sl.No.A-24) had capitalised excess of expenditure over income.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Nine profit earning working companies, which finalised their accounts for previous years during October 2000 to September 2001, earned an aggregate profit of Rs.26.34 crore. All these companies were earning profit for two or more successive years. Of these companies only one company (Sl.No.A-1) declared dividend of Rs.16.50 lakh during the year. The State Government has not formulated a dividend policy for payment of minimum dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 25 loss incurring working Government companies, 13 companies had accumulated losses aggregating Rs.508.08 crore, which exceeded their aggregate paid-up capital of Rs.330.08 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government was Rs.29.54 crore by way of equity (Rs.1.26 crore) and loans (Rs.28.28 crore) during 2000-01 to these companies.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend.

Maharashtra Industrial Development Corporation and Maharashtra State Warehousing Corporation (MSWC), which finalised their accounts for 2000-01 by September 2001 earned profit of Rs.15.25 crore. MSWC declared a dividend of Rs.1.71 crore.

1.2.4.2.2 Loss incurring Statutory corporations

Of the three loss incurring Statutory corporations, one Statutory corporation (Sl. No. B-2 of Annexure-2) had accumulated losses aggregating Rs.627.77 crore, which exceeded its aggregate paid-up capital of Rs.282.36 crore by more than two times.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to this Statutory corporation in the form of contribution towards equity, further grants of loans, conversion of loans into equity, subsidy *etc.* According to available information the total financial support during 2000-01 by the State Government to this Statutory corporation in the form of equity was Rs.82.19 crore.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in Annexure-6. In MSEB, the percentage of transmission and distribution loss to total power available for sale had increased from 17.2 *per cent* in 1998-99 to 34.8 *per cent* in 2000-01. In MSFC, the disbursements had come down from Rs.129.40 crore in 1997-98 to Rs.46.66 crore in 1999-2000 and the overdue amount had risen steeply from Rs.435.16 crore in 1997-98 to Rs.739.56 crore in 1999-2000.

1.2.5 Return on Capital employed

As per the latest finalised accounts (up to September 2001), the capital employed¹ worked out to Rs.4790.00 crore in 40* working companies and total return² thereon amounted to Rs.281.67 crore which is 5.88 *per cent* as compared to negative return of Rs.(-)25.21 crore in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.16228.89 crore and Rs.(-)1608.27 crore, respectively against the total

¹ Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinancing).

* This does not include 2 companies (A-27, 36) whose first accounts are awaited and one company (A-34) who had capitalised its excess of expenditure over income.

² For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

return of Rs.1543.19 crore (9.30 per cent) in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure-2.

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2001, the total investment in 18 non working PSUs (all non-working Government companies) was Rs.130.96 crore (equity: Rs.24.68 crore, long term loans: Rs.106.08 crore and share application money: Rs.0.20 crore) as against total investment of Rs.46.96 crore (equity: Rs.22.57 crore, long term loans: Rs.24.19 crore and share application money: Rs.0.20 crore) in 17 non-working PSUs (all non-working Government companies) as on 31 March 2000.

The classification of the non-working PSUs was as under:

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment in Companies	
				Equity*	Long term loans
(i)	Under liquidation	3	--	20.50	9.54
(ii)	Under closure	5	--	0.75	4.88
(iii)	Under merger	--	--	--	--
(iv)	Others**	10	--	3.63	91.66
Total		18	--	24.88	106.08

Of the above non-working PSUs, eight Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for 3 to 23 years and substantial investment of Rs.35.67 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

* Equity includes share application money of Rs.0.20 crore in respect of one company (C-1)

** Activities have been stopped and accounts are yet to be finalised and action has not been initiated for their closure.

1.3.2 **Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity**

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in Annexures-1 and 3.

The State Government had paid budgetary support of Rs.9.65 crore by way of loan to one non-working company during 2000-01. During the year, the Government had guaranteed the loans aggregating to Rs.4.75 crore obtained by two non-working companies. At the end of the year, guarantees amounting to Rs.1.34 crore obtained by two non-working companies were outstanding as against the outstanding guarantees of Rs.0.93 crore obtained by one non-working company as on 31 March 2000.

1.3.3 **Total establishment expenditure of non-working PSUs**

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2000-01 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others *
					Loans	Grants	
Government companies							
1998-99	10 [#]	67.12	0.63	-	-	-	266.94
1999-2000	10 [#]	75.14	5.62	-	-	-	280.21
2000-01	11 [#]	373.98	0.04	-	965.00	-	494.37

(Note : There is no non-working Statutory corporation)

1.3.4 **Finalisation of accounts by non-working PSUs**

The accounts of 18 non-working companies were in arrears for periods ranging from one year to 15 years as on 30 September 2001 as could be noticed from Annexure-2.

1.3.5 **Financial position and working results of non-working PSUs**

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2

* Financed by holding company.

There was no establishment expenditure in respect of remaining non-working companies.

The summarised details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non-working PSUs as per their latest finalised accounts are given below:

(Amount Rupees in crore)

Particular	Paid-up capital	Net worth [#]	Cash loss (-)/ cash profit (+) ^{**}	Accumulated loss (-)/ accumulated profit (+)
Non-working companies	24.87	(-) 114.78	(-) 9.94	(-) 139.65

1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG of India in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed to Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement to the Legislature
Working corporations					
1.	Maharashtra State Electricity Board	1999-2000	--	--	--
2.	Maharashtra State Road Transport Corporation	1998-99	1999-2000	19.07.2001	Information awaited.
3.	Maharashtra State Financial Corporation	1998-99	1999-2000	12.10.2001	Information awaited.
4.	Maharashtra State Warehousing Corporation	1998-99	1999-2000	14.06.2001	Information awaited.
5.	Maharashtra Industrial Development Corporation	1998-99	1999-2000	23.05.2001	Information awaited

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings.

The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its Public Sector Undertakings during the year 2000-01.

[#] Net worth represents paid-up capital *plus* free reserves *less* accumulated loss.

^{**} Cash loss/profit represents loss/profit for the year *plus* depreciation for the year.

1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 33 Government companies (working 28 and non-working five) and five working Statutory corporations were selected for review. As a result of the observations made by CAG, one company (Sl.No.A-18 of Annexure-2) revised its accounts for 1996-97 and three Statutory corporations (B-1, 2 and 5 of Annexure-2) revised their accounts for 1999-2000. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs were as follows:

	Details	Number of accounts				Amount: (Rupees in lakh)			
		Government Companies		Statutory Corporations		Government Companies		Statutory Corporations	
		Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i)	Decrease in profit	1	-	2	-	80.32	-	337.30	-
(ii)	Increase in profit	-	-	1	-	-	-	22841.35	-
(iii)	Increase in loss	6	1	1	-	244.31	1.91	498.83	-
(iv)	Decrease in loss	-	-	1	-	-	-	7.59	-
(v)	Non-disclosure of material facts	3	1	4	-	11405.81	31.25	1178.19	-
(vi)	Errors of classification	11	1	3	-	14697.19	7.57	546802.56	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

1.6.1 Errors and omissions noticed in case of Government companies

(1) Maharashtra Film, Stage and Cultural Development Corporation Limited (1999-2000)

(i) Sundry Debtors included Rs.1.16 crore, being the debtors considered doubtful for which no provision was made in the accounts. This had resulted in overstatement of Sundry Debtors and understatement of loss for the year by Rs.1.16 crore.

(ii) Loans and Advances (Dues from State Government on account of Festivals) included Rs.51.73 lakh being the excess of expenditure over income in conducting Millennium 2000 Festival on behalf of State Government. In the absence of any commitment from the Government to reimburse the excess expenditure, exhibition of above as receivable had resulted in understatement of loss and overstatement of Receivables by Rs.51.73 lakh.

(2) Development Corporation of Vidarbha Limited (1996-97)

No provision was made for loss of Rs.27.70 lakh on investment in Equity/ Redeemable Cumulative Preference Shares of Subsidiary Companies, which were closed in view of heavy losses and no provision was also made for loans and advances of Rs.2.06 crore given to these Subsidiary Companies, whose recovery was doubtful in view of negative net worth. This had also resulted in overstatement of Assets and understatement of loss to the extent of Rs.2.34 crore.

1.6.2 Errors and omissions noticed in case of Statutory corporations

(1) Maharashtra State Electricity Board (1999-2000)

(i) Assets (Plant and Machinery) included an amount of Rs.10.48 crore being the replacement cost of old ESP Plant at Bhusawal TPS, the use of which was abandoned after its replacements by new one. This had resulted in overstatement of gross block of Plant and Machinery and fixed assets by Rs.10.48 crore and accumulated depreciation by Rs.30.15 lakh.

(ii) Capital work-in-progress included Rs.46.66 crore being value of works completed but not transferred to capital assets resulting in understatement of assets, under charging of depreciation and consequential overstatement of surplus.

(iii) Material at site (O&M) Account was understated by Rs.4.95 crore as value of material issued for O&M work but not actually used and lying in stock on 31 March 2000 at site were wrongly included in repairs and maintenance charges. This had resulted in understatement of Material at site and Surplus by Rs.4.95 crore.

(iv) Dues from PD Consumers included an amount of Rs.5.44 crore being the arrears to be withdrawn and written off at Pune Rural Circle. The receivables and surplus were overstated to that extent.

(2) Maharashtra State Road Transport Corporation (1999-2000)

(i) General and Administration Expenses (Insurance – Third party risk) was understated by Rs.3.61 crore being liability for compensation payable to passengers. This had resulted in understatement of current liabilities and loss to the extent of Rs.3.61 crore.

(ii) No provision was made for dues of Rs.3.00 crore being the license fees receivable from commercial shops and establishments, which was outstanding for more than 3 years. This had resulted in overstatement of current assets and understatement of loss by Rs.3.00 crore.

1.6.2.1 Audit assessment of the working results of State Electricity Board

Based on the audit assessment of the working results of the MSEB for three years up to 2000-2001 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual account of the MSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the MSEB would be as given below:

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01 (Provisional)
1	Net surplus/(-) deficit as per books of accounts	376.15	403.11	(-) 2841.51
2	Subsidy from the State Government	355.10	2084.19	(-) 373.85
3	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	21.05	(-) 1681.08	(-) 2467.66
4	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of the SEB	(-) 2.55	(-) 111.32	SAR is under finalisation
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	18.50	(-) 1792.40	(-) 2467.66

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in financial matter of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by those PSUs so far.

(1) Maharashtra State Electricity Board

Excess payment of Rs.3.83 crore to the Government towards lease rent for Hydro Power stations had neither been recovered nor adjusted against dues payable to Government even after a lapse of 12 years.

(2) Maharashtra State Road Transport Corporation

The Corporation had been consistently adopting the policy of not providing for liabilities on account of compensation to passengers for death/disabilities, though payable under section 140(2) of Motor Vehicle Act, 1988. The extent of liability on this account worked out to Rs.3.61 crore as on 31 March 2000.

(3) Maharashtra Industrial Development Corporation

The Corporation had created Sinking and Assets Replacement Fund of Rs.46.93 crore without the prior approval of State Government as required under section 24 of MID Act.1961. The Fund created had also not been invested as per the directives of Board of Directors into the Government securities to yield a minimum return of 12 per cent thereon.

1.7 Recommendations for Closure of PSUs

Even after completion of five years of their existence, the annual turnover of 26 Government companies (working 15, non-working 11) have been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly, four Government companies (three working and one non-working) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 30 Government companies or consider their closure. In addition, four working Government companies (Sl. No. A-32, 33, 34 and 35 of Annexure-1) engaged in similar activities having poor turnover could be considered for merger.

On being pointed out by the Audit, the Government stated (June 2001) that a decision to wind up 14 companies was taken in 1992. However, the process of liquidation of these companies could not be initiated on account of stay order issued by the Aurangabad Bench of Mumbai High Court and action was being taken to vacate the stay order. The Government further stated that a decision had been taken to close down some of the mills of Maharashtra State Textile Corporation Limited. Further developments were awaited (November 2001).

1.8 Response to Inspection Reports, Draft paras and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2001 pertaining to 45 PSUs disclosed that 1766 paragraphs relating to 458 Inspection Reports remained outstanding at the end of September 2001. Of these, 41 Inspection Reports containing 264 paragraphs had not been replied for more than one year. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and 4 draft reviews forwarded to the various departments during March 2001 to July 2001 as detailed in Annexure-8 had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs /reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

The status of Audit Reports (Commercial) reviews and paragraphs pending for discussion in the COPU at the end of March 2001 is shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1997-98	5	10	2	4
1998-99	4	11	3	11

During the year 2000-01, COPU made 17 recommendations for which Action Taken Notes were awaited from concerned PSUs/State Government (September 2001). The Audit Report (Commercial) for the year 1999-2000 was placed before the State Legislature on 23 July 2001.

1.10 619-B Companies

There were two working companies coming under Section 619-B of the Companies Act, 1956. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.